CALIFORNIA
STUDENT AID
COMMISSION

M E M O

DATE: **November 20, 2008**

TO: **Commissioners**

FROM: **Lori Nezhura**
Legislative Liaison

SUBJECT: **Panel Members for Loan and Grant Policy Discussion – Tab 2**

Commissioners,

Attached you will find brief biographies belonging to each of the panel members that will present at the Commission meeting on Thursday afternoon. In addition Mr. Zaglaniczny has provided a report entitled "Breaking the Deadlock" for your information that he may refer to in his presentation.

Enclosures

LOAN PANEL MEMBERS
California Student Aid Commission
November 20-21, 2008 Meeting

SPEAKER:
Larry Zaglaniczny
Vice President of Governmental Relations
National Association of Student Financial Aid Administrators (NASFAA)

Mr. Zaglaniczny has served in various capacities at the National Association of Student Financial Aid Administrators (NASFAA) for nineteen years and currently is its Vice President for Governmental Relations. He assists the association in the development and implementation of its activity for the Reauthorization of the Higher Education Act and advises on legislative strategy and serves as NASFAA's congressional liaison for appropriations, budget, tax, and student aid legislation.

Prior to joining NASFAA, he acted as chief staff aide for postsecondary education issues accountable to the Committee on Education and Labor Ranking Minority Member in the House of Representatives. Mr. Zaglaniczny also worked as a lobbyist for the American Council on Education and began his career in Washington by lobbying on behalf of an organization of private college students. Before coming to the nation's capitol, he worked in the Office of the Deputy to the Chancellor at the State University of New York Central Administration.

Mr. Zaglaniczny graduated from the Empire State College in Saratoga Springs, N.Y. and did graduate work at the School of Advanced Technology at SUNY-Binghamton.

RESPONDANT:
Dr. Samuel M. Kipp, III
President
EdFund

Dr. Samuel M. Kipp has had a long and distinguished career in student financial aid and higher education policy leadership. For the past three years, Dr. Kipp has served as president of, one of the nation's leading providers of student loan guarantee services through the Federal Family Education Loan Program.

Prior to his tenure at EdFund, Dr. Kipp managed his own consulting firm from 1995-2005, providing colleges, states, financial institutions, and other organizations expert analysis of higher education enrollment and financing trends and specializing in student financial aid-related modeling and analysis.

From 1986 to 1995, he served as executive director of the California Student Aid Commission, managing both loan program operations and state grant operations. During his tenure, he pioneered an effort to enhance service by revitalizing data systems. Dr. Kipp served as chairman of the National Council of Higher Education Loan Programs during the 1992 Reauthorization of the Higher Education Act and as a founding board member for the National Student Clearinghouse. As a senior staff member at the California Postsecondary Education Commission, he authored numerous policy studies on California higher education issues.

Dr. Kipp received his B.A. degree (1967) and M.A. degree (1968) in history from the University of California at Davis and his Ph.D. in history from Princeton University (1974). In 1995-96, he also served as a visiting scholar at the University of California at Berkeley's Graduate School of Public Policy and its Center for the Study of Higher Education.

--Panel Members Continued on Next Page--

LOAN PANEL MEMBERS
California Student Aid Commission
November 20-21, 2008 Meeting

MODERATOR:
Ed Emerson
Chief, Federal Policy and Programs Division
California Student Aid Commission

Mr. Emerson has a broad experience in federal and state government, as well as in the financial services industry. He has worked in the Clinton Administration in Washington, D.C. doing advance work for President Clinton for several years, in the Gray Davis administration in Sacramento also doing advance work, in the California State Legislature as the director of the Senate Democratic Caucus while Senator John Burton was the Senate President Pro Tem, and in a private investment firm raising capital for environmental projects.

Prior to his time at the Commission, Mr. Emerson worked at the California State Treasurer's Office, where he served as a Deputy State Treasurer. At the Commission he provides leadership of the Federal Policy and Programs Division and the implementation of the Commission's oversight responsibilities of the loan program and EdFund.

Mr. Emerson received his B.A. in Political Science from Illinois State University and holds a Masters Degree in Political Science from San Francisco State University. He has completed coursework at Yale in the field of Public Administration and served as adjunct faculty at the Kennedy School at Harvard.

For over 15 years, the Congress, college financial aid officers, and the higher education financing industry in general have been locked in an often fierce and polarizing struggle between two competing federal student loan programs: the Federal Family Education Loan Program (FFELP) and the Direct Loan Program (DL). The major focus of the debate is on which program scores less in the federal budget. Unfortunately, the intensity of advocates on both sides of the debate has blocked rational reform and development in federal student loans. For the zealots on both sides, FFELP vs. DL is a death match where only one can survive. In this environment, rhetoric has smothered rationality and real dialogue on how to make the two programs actually work together has been impossible.

Objective observers all agree that the competition and interplay between the two programs have been beneficial to schools and borrowers, each program forcing the other to improve service, systems, and even pricing. The efficiency and standardization of DL's single delivery system, the consumer choice and service competition of the "market" of multiple lenders, and the debt management default prevention activities of the guarantors in FFELP have all been major competitive drivers improving both programs. In spite of the obvious advantages and synergies of the two programs, and the advantages of the competition to the consumer and schools, the programs are still being operated by Congress and the U.S. Department of Education (ED) as, at best, separate. Each program is now affiliated with a political party, further polarizing the issue. Thus, rather than harnessing the healthy competition and the best of both programs, legislation is used to neutralize or hobble any competitive advantage either program may have over the other. In this environment, program strengths are points of attack.

The field of battle for DL vs FFELP has been the college campus and what system they use to originate federal loans. Since DL and FFEL origination systems are intentionally mutually exclusive, if the campus administrators choose one, the system automatically excludes the other. Thus, the schools' choice dictates which lenders are available to the student loan consumer. The student doesn't choose between FFEL and DL, the campus does. This process where the origination system dictates the range of choice for the consumer has been going on for almost two decades and has taken focus away from the borrowers' evolving issues and needs. During this time frame, education debt levels have more than doubled. The issues that borrowers have to deal with are not how or on what system the loan was originated (FFELP vs DL), but how they are going to manage, over the life of the loan, the debt they have taken out (and government has given them) to further their education and better their lives

It is time to move from FFELP *vs.* DL to FFEL *and* DL. The recent issues in the credit markets and the resulting threatened disruption of the delivery of student loans points out the very real need to rationalize

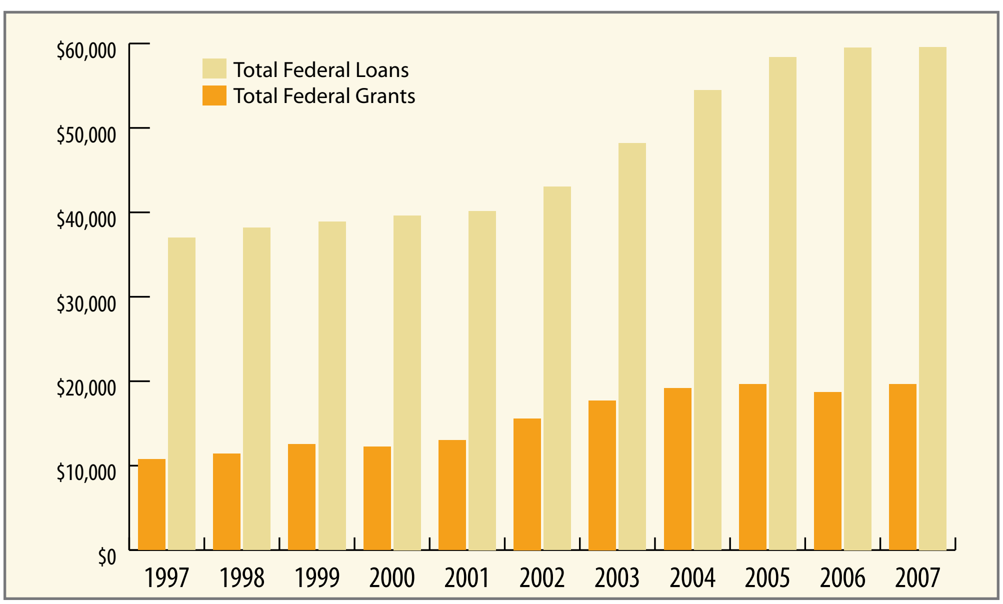
American Student Assistance
Think About Tomorrow℠

the two programs. The dislocation in the financial markets points out the very real need and advantage of having multiple sources of capital involved in the student loan program. It also points out the very real need for a robust, neutral, single loan origination and delivery system that is disassociated with any individual lender or program. Our goal should be to identify and promote the aspects of both FFELP and DL that can be brought together to enhance the effectiveness of a single unified federal loan program. This process should strive to strike a balance between private and public capital; harness competition to benefit the federal government and the consumer; gain process efficiency; and, most importantly, maximize consumer rights and consumer choice over the life of the loan. Thus, there are three key areas that, if addressed, can work to unite the programs and benefit the students:

- The consumer and their rights and needs
- The delivery system
- The pricing for private capital

They are consumers: Using debt to provide access to higher education not only creates an obligation on the borrowers' part, but it also creates an obligation on society to help the borrower manage that debt over the life of the loan. With debt, access to education doesn't end until the loan is successfully repaid. The education loans we give for access (more than half of all financial assistance we provide as a nation is in the form of debt) create both responsibilities and "rights" for the borrower. Education loans create a 10 to 25-year relationship between the borrower, the lender/servicer, and the federal government. Unlike grant

Federal Loans and Grants Between 1997-2007



aid, the long term nature of the loans, and the obligations and relationships created by it over the life of the loan, make the education borrower, in every sense, a "consumer" rather than just a recipient. The borrowers' consumer needs for access to information, timely and responsive advice and service, and mediation of issues are real and critical to the program's success. One of the basic rights of a consumer is choice. The education loan consumer should have the right to pick who they want to deal with over the next 10 to 25 years, whether it is the federal government, a guarantor, or a private lender, and one of the points of choice should be the quality of assistance they receive during repayment. With student loans, we should be trying to balance taxpayer costs and consumer rights. So far the dialogue has been just about federal cost.

Student loans, and more specifically student debt, has become a top-of-the-mind issue for the public. The issue for the public is not FFELP vs DL, arcane federal budget scoring, or on which system the loan was originated, but the effect the debt and the loans have on the borrower/consumers' life during repayment. The social issue in the press, almost on a daily basis, is the borrowers' ability to manage the debt we have given them to access higher education. In rationalizing the two programs, one of our goals should be to squeeze unnecessary costs, whether public or private sector costs, from the student loan programs and use some of those savings to better assist borrowers in successfully completing their education financing by assuring that they have the information they need over the life of the loan to successfully manage and pay off their loans. Debt management and default prevention is something that should be measured and for which guarantors, as neutral third parties, should be held accountable.

The role and financing of the "guarantor" community should be refocused away from the origination process to early awareness and information, debt management and default prevention, and loan rehabilitation for all borrowers, including those with Direct Loans. Essentially, guarantors would no longer insure the lenders, but instead help guarantee the borrowers' success. Since loans may be securitized or sold to any party, including ED, the guarantor provides the borrower a stable, neutral third-party relationship over the life of the loan. Guarantor fees and incentives should be focused on the relative success of the borrowers in their portfolio as measured by Loans in Good Standing and these results should be published and available to the consumer. The consumer should be allowed to select the guarantor that they believe would best provide those services over the life of the loan.

The System: The goal of student aid, including student loans, is to provide access to higher education. The efficient and timely delivery of that aid to the campus to pay the bills is critical to the goals of the program. In the late '80s, in fact, it was the inefficiency of the multiple loan delivery processes developed by individual lenders and guarantors, and the lack of standardization between those systems, that was a primary impetus for the creation of DL, a single, efficient delivery system solution for schools.

Under FFELP vs DL, that federal system was created as a "silo" origination system. Since DL was originally going to be the only program, there was no need to consider other lenders or sources of capital. As the competition between the programs grew and the private sector began improving and standardizing their systems, the standards were developed without including DL. The school chooses the source of capital (public or private) and the system comes with it, eliminating the other capital source. That capital choice dictates the range of choice of lender for the consumer. Within FFELP vs DL, and in FFEL itself, the delivery systems become a market tool that can be used to restrict the range of consumer choice. These systems also create a barrier to entry into the market for new lenders or sources of capital. Thus, the competing origination systems dictate hegemony over the school and the consumers' lender choice.

The process of programmatic convergence should first focus on developing a single, robust, lender/capital neutral, origination platform. This system should be developed by ED, lenders, schools (FFELP and DL), guarantors and school financial aid management system (FAMS) providers. The system may be a federal system or a mutual benefit corporation and should accommodate and communicate data and disburse loans for multiple lenders, including ED, and should be the required process for all federal loans. This development eliminates the loan distribution process as a possible point of market control. Had there been a single, federal loan delivery system already in place, the recent dislocation in the credit markets would have posed very little threat to the delivery of loan funds to the students. Also, a single system would lower the cost of entry into the student loan markets, opening the market to more lenders and capital sources. With one delivery system, capital becomes fungible, allowing small lenders to compete, side by side, with large lenders. Also, with a single system in place, Congress should require all schools to place ED, with its Direct Loan brand, and at least two other lenders on their preferred lender list. Effectively, the consumer could pick any lender (including ED) on any campus and be assured that the funds would be delivered efficiently and on time. This is ultimate consumer choice.

Capital costs: The last remaining issue is related to the setting of the interest rate provided to the private lenders/capital in the FFEL program. Congress sets the rate charged to the student, which is the same for both DL and FFEL. Historically, Congress has periodically set the subsidy rate (special allowance payment), but this has always politicized the process. If it is the private public partnership that allowed the student loan program to develop into a viable student loan market, a mechanism has to be developed that provides a reasonable, risk-rated return. The question is how.

Auctions have been suggested but these would be operationally cumbersome and ignore completely consumer rights. Most recently, Ben Bernanke, the Federal Reserve Chairman, has suggested a mechanism that would track the spread between two relevant measures of the cost of funds to lenders and use those as a mechanism to determine the appropriate lender return. This also may be worth pursuing.

The answer to this should be provided by the private sector. Capital markets in conjunction with Congress, ED and loan providers should develop a proposal that uses the cost of the DL program as a benchmark; satisfies the needs of the federal government and the consumer; is market based; and provides an appropriate role for private capital and market competition.

Building a Model for the Future: Getting to Unity

2008 has turned into a watershed year for the student loan industry. The recent threat of an unprecedented disruption to student loan access has brought forth not only a rapid response from lawmakers, the administration and the industry, but also a rallying cry for a broad and thorough review of the entire federal student aid system. The time is right to convene a "Clean Slate" group to tackle a number of the pressing issues that affect the federal student loan program. Such an ongoing working group or coalition would build upon the findings of the Secretary of Education's Commission on the Future of Higher Education, which called for a streamlining of the myriad federal financial aid programs.

Precedent for a "Clean Slate" Working Group

The working group we envision would be based on a public/private partnership. This will allow for the greatest level of collaboration among sitting policy makers, industry and not-for-profits. Examples of public/private partnerships can be found with the National Institutes of Health and the Heritage Foundation:

http://ppp.od.nih.gov/pppinfo/examples.asp

http://www.heritage.org/research/education/schools/BG1257.cfm

Working Group activities to include:

- Creating a structure and laying the groundwork for regulation or legislation to unify our federal loan programs into one
- Integration of an R&D approach to setting student loan policy
- Research and publication of position papers on key issues
- Providing a Web-based clearinghouse of information

In a bid to retain America's competitiveness in an increasingly global economy, it is imperative that our nation invest in the proper education, training and support for its citizens. We must develop a unified student loan program with an eye toward efficiency, affordability, accountability, and sustainability. It's time to break the deadlock and restore America's higher education finance system as the true support mechanism for college access.

GRANT PANEL MEMBERS
California Student Aid Commission
November 20-21, 2008 Meeting

Gloria Falcon
Manager, Program Policy and Development Branch
California Student Aid Commission

Gloria Falcon serves as the first manager of the new Program Policy and Development Branch of the Program Administration and Services Division at the Commission. In her current position Gloria, along with her staff, provide policy analysis and research of key issues facing Cal Grant schools and the Commission .She first joined the Commission in June 2001 as an Associate Financial Aid Analyst in the Customer Service Branch.

For 20 years prior to joining the Commission, Gloria worked under the Executive Director of Financial Aid at UC Davis managing the administrative office and the call center.

The same year she joined the Commission, Gloria retired as a first sergeant with the U.S. Army Reserves after serving 22 years. Her last assignment was with the 104th Training Division at Sharpe Army Depot in Lathrop, CA.

Noelia Gonzalez
Vice President of State Issues
California Association of Student Financial Aid Administrators (CASFAA)

Director of Financial Aid
California State University, Stanislaus

Noelia Gonzalez brings with her more than 15 years of financial aid experience at various institutions of higher education. Noelia began her financial aid career at Masters Institute (now The Masters College) as a Counselor, moving on to become the Student Loan Coordinator at Heald College. She spent the next 10 years at CSU, Northridge as Counselor and, for the last four years, as Assistant Director. Last year Noelia was asked to take the Director position at CSU, Stanislaus.

Noelia has been the CASFAA Representative on the Grant Advisory Committee for several years and serves on the CASFAA Executive Council. She has made presentations for CASFAA, Cash for College, College! Making it Possible, and coordinated the *I'm Going to College* program at CSU, Northridge.

Noelia holds a BA in Business Administration from Loyola Marymount University and a MA in Education Administration/ Higher Education from CSU, Northridge. She is a former Cal Grant A recipient.

--Panel Members Continued on Next Page--

GRANT PANEL MEMBERS
California Student Aid Commission
November 20-21, 2008 Meeting

Brad Hardison
State Issues Chair
California Community College Student Financial Aid Administrators Association (CCCSFAAA)

Financial Aid Director
Santa Barbara City College

Brad Hardison has been the Financial Aid Director at Santa Barbara City College since 2003. During that time, he has been on the California Community College Student Financial Aid Administrator's Association Board as Region 6 Representative, Treasurer, State Issues Chair and President Elect. In his years of service to CCCSFAAA, Brad has attended and helped coordinate many advocacy events at the Capitol. Brad will serve the association as President in 2009.

Prior to working at Santa Barbara City College, Brad spent 17 years working at UC Santa Barbara. He spent part of that time working in the Financial Aid Office.

Brad holds a Masters Degree from Cal State Northridge in Public Administration and a Bachelor's from UC Santa Barbara in Political Science.

Catalina Mistler
Chief, Program Administration and Services Division
California Student Aid Commission

Catalina Mistler provides the California Student Aid Commission and the financial aid community with more than twenty-seven years experience in state assistance programs for students, federal programs sponsoring education after high school, program administration and management, policy development and implementation, and collaborative efforts with critical stakeholder groups at all levels of public agencies and private organizations.

As Division Chief of Program Administration and Services, Catalina is responsible for administering the Commission's many grant, loan assumption and scholarship programs, including the expansive, $900-million Cal Grant program, that provides student financial assistance at universities, colleges and career schools. Catalina has been the Commission's point person in the rapid development of the Chafee Grant program for foster youth, and the development of the various Assumption Programs of Loans for Education, or APLE, that impact education indebtedness for today's teachers, nurses, nursing faculty, National Guard members and others.

Catalina started her career at the Commission in 1981 as an office assistant and advanced quickly to positions of greater responsibility. In recognition of her sustained reputation for excellence, she became Division Chief for Program Administration and Services in 2006.